

**MINUTES OF REGULAR MEETING  
ILLINOIS GAMING BOARD  
February 25, 2003  
CHICAGO, ILLINOIS**

NOTE: ITEMS IN **BOLDFACE PRINT** REFLECT OFFICIAL BOARD ACTIONS

The Illinois Gaming Board ("Board") held its Regular Meeting on February 25, 2003 in the Auditorium on the 5th floor of the State of Illinois Building, Chicago, Illinois, pursuant to the Illinois Open Meetings Act, 5 ILCS 120/1 et seq.

The following Board Members were present: Chairman Elzie Higginbottom and Members Ira Rogal, Tobias Barry, Violet Clark, Gary Peterlin, and William Dugan.

Chairman Higginbottom convened the February 25, 2003 Regular Meeting at 9:38 A.M. in the 3<sup>rd</sup> floor Board Conference Room. Member Rogal moved that **pursuant to Section 2(c), paragraphs (1), (11), (14) and (21) of the Open Meetings Act and Section 6(d) of the Riverboat Gambling Act, the Board retire to Closed Session to discuss the items listed under Closed Session on today's (February 25, 2003) agenda and relating to the following subject matters:**

- 1. Pending litigation and matters involving probable litigation;**
- 2. Investigations concerning applicants and licensees;**
- 3. Personnel matters; and**
- 4. Closed session minutes.**

Member Clark seconded the motion. The Board adopted the motion by unanimous consent and retired to closed session.

The Board convened its Open Session at 2:00 P.M.

Member Clark moved that the Board reconvene into Open Session. Member Peterlin seconded the motion. The Board approved the motion unanimously by voice vote.

## Chairman's Report

Chairman Higginbottom stated that Emerald Casino filed its plan for reorganization on February 13, 2003. Chairman Higginbottom stated that Staff and himself met with representatives of Emerald to discuss some of the Board's concerns. Chairman Higginbottom stated that the Board is committed to a fair, open, and competitive process as it relates to the 10<sup>th</sup> license. Chairman Higginbottom assured the public that before the Board takes any action on the 10<sup>th</sup> license, the public would be given ample notice and an opportunity to express its concerns and issues regarding the possible location of the 10<sup>th</sup> license.

Chairman Higginbottom stated that the Board and Staff would be discussing the First Notice Filing regarding the rules to promulgate ticket vouchering technology. Chairman Higginbottom stated that Deputy Chief Legal Counsel would be briefing the public on the lengthy process of promulgating ticket vouchering technology at today's (February 25, 2003) meeting. Chairman Higginbottom thanked Ms. Tamayo and the Rules Committee for all of their hard work that they put into the ticket vouchering technology process.

Chairman Higginbottom stated that ticket vouchering technology is a wave of the future. Chairman Higginbottom stated that with ticket vouchering technology gamblers who play electronic gaming devices have the option to accept their winnings in tokens or a printed ticket. Chairman Higginbottom stated that the licensees requested the new technology in order to stay competitive with the casinos in other jurisdictions. Chairman Higginbottom stated that the technology has already been offered as a trial basis in Indiana and Missouri. Chairman Higginbottom stated that ticket vouchering technology is also available in New Jersey, Nevada, and several other jurisdictions. Chairman Higginbottom stated that the Illinois Gaming Board has benefited from its fellow regulators experience in those jurisdictions. Chairman Higginbottom stated that the Board hopes that it will be able to avoid some of the problems that the other jurisdictions have encountered. Chairman Higginbottom stated that the technology has been very popular and has been received by patrons who frequent jurisdictions with the technology in a positive way. Chairman Higginbottom encouraged all of the licensees and any other interested parties to submit written comments regarding the proposed rules on ticket vouchering technology.

## Public Commentary

Tom Swoik, Executive Director, Illinois Casino Gaming Association (ICGA) was present to reemphasize the gaming industry's support on responsible gaming. Mr. Swoik stated that ICGA, the Illinois Coalition to Curve Problem Gambling and the American Gaming Association held a lecture series this morning where Dr. Howard Shaffer presented on a topic entitled "A Public Health Perspective of Gambling." Mr. Swoik stated that the Illinois Casino Counsel on Problem and Compulsive Gambling would be holding their second

conference, which is entitled “A Realistic Look at Compulsive Gambling” on March 13<sup>th</sup> and 14<sup>th</sup>. Mr. Swoik briefed the Board on Dr. Howard Shaffer, who is an associated professor at Harvard Medical School and the Director of the Division on Addictions. Mr. Swoik stated that in addition to an active private practice, Dr. Shaffer consults internationally to a variety of organizations in business, education, human services, and government. Mr. Swoik stated that Dr. Shaffer is a clinical psychologist licensed in the Commonwealth of Massachusetts. Mr. Swoik stated that Dr. Shaffer’s major research interest includes a social perception of addiction and disease, the philosophy of science, impulse control regulation in compulsive behaviors, adolescent gambling, addiction treatment outcome, and national history of addictive behaviors. Mr. Swoik stated that Dr. Shaffer has written extensively about the treatment of addicts’ behaviors and the nature of the addictions. Mr. Swoik introduced Dr. Howard Shaffer to the Board.

Dr. Howard Shaffer, Director of the Division on Addictions, Harvard Medical School, was present to discuss regulating gambling and its consequences. Dr. Shaffer stated that he feels that gaming regulation could use a science-based model. Dr. Shaffer provided the Board with a Power Point presentation that reflected data collected on the proportion of people who have gambling problems across the country; the rates of disordered gambling around the world; and regulatory activity across the country. Dr. Shaffer stated that over the last quarter century gambling has “exploded” across the country, and yet the prevalence of people who actually gamble each year has only grown by about 2%. Dr. Shaffer stated that activities used in the United States over the last 25 years to promulgate regulation includes hotlines; advertising; alcohol service; gaming employee training; credits; marketing and direct mail; public awareness; self-exclusion programs and funding for treatment activities. Dr. Shaffer’s presentation showed where Illinois stands compared to other States with casinos in terms of promulgated regulations. During Dr. Shaffer’s presentation, Dr. Shaffer pointed out that Illinois has fewer regulations for gambling than other states with casinos. Dr. Shaffer pointed out during his presentation that treatment is the most regulated area in Illinois and the least regulated area in Illinois is employee training. Dr. Shaffer stated that a slight majority of statutes have been focused on gambling specifically and that the least amount of regulatory activity has been focused on the initiation of gambling. Dr. Shaffer stated that efforts to regulate gambling could have many different effects. Dr. Shaffer stated that efforts to regulate could actually increase gambling related problems, decrease gambling related problems, could have no effect at all on gambling related problems, or influence gambling problems to an entirely different vehicle that is not directly related to gambling. Dr. Shaffer stated that regulatory activity throughout the United States and around the world has not been evaluated to see whether the regulations that are promulgated do what they are intended to do.

Member Rogal asked Dr. Shaffer to discuss treatment regulations.

Dr. Shaffer stated that some states have promulgated statutes that require a percentage of unclaimed lottery winnings to go towards treatment. Dr. Shaffer stated that some states have established pools of funding specifically for treatment.

Member Peterlin asked if there could possibly be a genetic basis to addiction in gambling.

Dr. Shaffer stated that there has been research within the last decade showing that gamblers are addicted to gambling in many of the same ways that drug users are addicted to drugs – meaning that their neurochemistry (brain) is affected and influenced in certain ways. Dr. Shaffer stated that there is also evidence that gambling runs in the family.

Kathy Gilroy was present to discuss the Gaming Board's Self-Exclusion program. Ms. Gilroy stated that it is good that the Board has implemented the program; however, she questioned whether it actually excludes anyone. Ms. Gilroy asked the Board, based on her definition of "exclude," which means to refuse to admit, how are the casinos going to refuse to admit. Ms. Gilroy stated that she reviewed the Gaming Board's self-exclusion rules and found lengthy discussions on where to go to get on the self-exclusion list, but she did not find anything that explains how the casinos plan to accomplish exclusion. Ms. Gilroy stated that a casino is an opportunity that a compulsive gambler can not resist. Ms. Gilroy stated that she reviewed Section 3000.77(b) of the Illinois Gaming Board Rules with anticipation of finding out how casinos plan to exclude persons listed on the self-exclusion list. Ms. Gilroy stated that Section 3000.77(b) led her to Section 3000.760, which talks about computer monitoring requirements of electronic gaming devices and did not address exclusion at all. Ms. Gilroy stated that the Board has devoted close to 50 pages of rules for the new ticket vouchering technology that would allow casinos to extract money faster from gamblers. Ms. Gilroy asked if the new ticket vouchering technology would mean fewer jobs. Ms. Gilroy stated that casinos have, for quite some time been able to successfully exclude those that they wish to exclude. Ms. Gilroy reported that 14 months ago, other states such as Georgia and California began requiring a fingerprint scan to obtain a driver's license. Ms. Gilroy stated that since that time, technology has improved, and because of 9-11, the public is much more accepting of it. Ms. Gilroy called on the Board to regulate by demanding that any new technology that would increase casino revenue be matched by technology to implement exclusion.

#### Board Policy Items

Jeannette Tamayo, Deputy Chief Legal Counsel, was present to discuss ticket vouchering technology. Ms. Tamayo thanked the various entities that provided public commentary to the Board. Ms. Tamayo stated that since the time that the Board authorized a distribution of draft rules, Staff has had numerous discussions with the owner licensees, and suppliers of certification laboratories to try to establish a set of preliminary rules that would be presented and filed with the Secretary of State as part of the formal rule-making process. Ms. Tamayo briefed the Board on issues by various entities that Staff were in agreement with and asked for the Board's permission to move forward to first notice filing. Ms. Tamayo identified the issues by various entities that Staff were in disagreement with and asked for the Board to provide guidance that the Board deemed appropriate. Ms. Tamayo stated that Staff intends to file for first notice filing with the Secretary of State, and that it would then be published in the Illinois Register. Ms. Tamayo stated that all interested persons would have 45 days to submit their public comments. Ms. Tamayo stated that public comments would come back

before the Board and there would be an opportunity for individuals who submitted public comments to present their views to the Board. Ms. Tamayo stated that if there are still any outstanding issues, those issues would go before the Joint Committee on Administrative Review for their own analysis of the proposed rule-making before it is adopted. Ms. Tamayo stated that there would be a number of administrative steps that Staff would be undertaking over the next couple of months, which includes issuing a request for proposal for certification laboratories and working on the minimum internal control standards. Ms. Tamayo stated that Staff would also be working with the Illinois Casino Gaming Association and the licensees to work out any logistic issues for implementing the technology. Ms. Tamayo stated that Staff expects a few problems while implementing the technology; however, she is hopeful that the problems are minimized by everyone working together.

Member Rogal asked Ms. Tamayo to expand on the various problems that other jurisdictions have had in regards to using the ticket vouchering technology tickets as promotional coupons.

Ms. Tamayo stated that the only ability to print a voucher as cash is that it is done vis-à-vis the electronic gaming device. Ms. Tamayo stated that issues could arise when tickets are not printed from electronic gaming devices.

Member Rogal asked Ms. Tamayo who has concerns regarding the retrofitted EGD's.

Ms. Tamayo stated that IGT has concerns, as well as the gaming laboratories. Ms. Tamayo stated that the gaming laboratories feel that retrofitting EGD's poses a lot of technical concerns that the Illinois Gaming Board Rules do not encompass. Ms. Tamayo stated that Staff's goal is to, within the next 45 days, explore the matter further with the gaming laboratories and get their sense on whether Staff could come up with regulations for retrofitted EGD's.

Member Rogal asked Ms. Tamayo to elaborate on the concerns that the entities had on electronic cards.

Ms. Tamayo stated that no one has been able to identify how electronic cards came into definition within the rules; however, there are no rules that implement the use of electronic cards. Ms. Tamayo stated that the request has been made to allow the use of electronic cards.

Member Rogal asked if the electronic card is similar to a debit card.

Ms. Tamayo stated that it isn't in the sense of financial terms but it would be a card in which a patron could charge electronic credits that are issued and maintained by the casino.

Member Rogal thanked Ms. Tamayo on the amount of work that she put into the implementation of ticket vouchering technology.

AUTHORIZATION FOR TICKET VOUCHERING TECHNOLOGY – FIRST NOTICE FILING – Member Clark moved that **the Board authorize staff to submit revisions to the following Board Rules for First Notice Filing with the Secretary of State upon final review and approval by the Administrator: 3000.100, 3000.140, 3000.165, 3000.200, 3000.210, 3000.270, 3000.280, 3000.320, 3000.600, 3000.635, 3000.636, 3000.640, 3000.655, 3000.660, 3000.666, 3000.670, 3000.800, 3000.1010, 3000.1050, 3000.1060.**

Member Clark further moved that **the Board authorize staff to submit the following new rules for First Notice Filing with the Secretary of State upon final review and approval by the Administrator: 3000.272, 3000.285, 3000.661, 3000.665, 3000.667, 3000.671.**

Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

ELIMINATION OF FOURTH METER REQUIREMENT – FIRST NOTICE FILING – As part of the authorization to file First Notice to allow ticket vouchering technology, Member Clark moved that **the Board authorize staff to submit revisions to Board Rule 3000.660(b)(10) for First Notice Filing with the Secretary of State upon final review and approval by the Administrator.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

AMENDMENT TO SELF-EXCLUSION SANCTIONS – FIRST NOTICE FILING – As part of the authorization to file First Notice to allow ticket vouchering technology, Member Clark moved that **the Board authorize staff to submit revisions to Board Rules 3000.756(a) and 3000.770(c) and (e) for First Notice Filing with the Secretary of State upon final review and approval by the Administrator.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

AMENDMENT TO DEFINITION OF RIVERBOAT – FIRST NOTICE FILING – Member Clark moved that **the Board authorize staff to submit revisions to Board Rule 3000.100 for First Notice Filing with the Secretary of State upon final review and approval by the Administrator.** Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

#### Owner Licensee Items

Penn National – Request for Acquisition/Merger of Hollywood Casino – Peter Carlino, Chairman and Chief Executive Officer of Penn National Gaming, was present on behalf of Penn National to request final approval for acquisition/merger of Hollywood Casino. Mr. Carlino acknowledged the thorough work and professional review that was conducted by Staff. Mr. Carlino stated that Penn National appreciates the importance of the Hollywood Aurora facility to the State of Illinois. Mr. Carlino stated that Penn National understands that the Board and members of Staff have a high regard for Hollywood's current management. Mr. Carlino stated that Penn National intends to retain substantially all of the present management, and as a result of that, Penn National expects absolutely no change in Hollywood's smooth operation and profitability. Mr. Carlino stated that Penn National would

continue to work with the Board and Staff and hope, over a period of time, that Penn National could earn the Board's trust and respect.

Based on a review of the staff's investigation and recommendation, Member Rogal moved that **the Board approve the Plan of Merger Agreement between Penn National Gaming, Inc. (Penn) and Hollywood Casino Corporation (HCC) pursuant to which Hollywood Casino Aurora (Hollywood) will become, indirectly, a wholly-owned subsidiary of Penn and delegate to the Administrator, under Board Rule 3000.230(d)(2), final approval of the transaction upon execution of the appropriate documents.**

Member Rogal further moved that **due to the Board's express concerns and in light of Penn National's express representations responsive thereto, the Board impose the following condition on Penn National Gaming Inc., as a Key Person:**

1. **Penn National Gaming, Inc. shall, at all times, exclude and block all Illinois residents from wagering through its Internet pari-mutuel wagering sites.**

Member Rogal further moved that, **due to a lawsuit challenging the constitutionality of Public Act 91-40, which became effective June 25, 1999, and the existence of a possibility that Public Act 91-40 and/or any single provision contained therein may be found to be invalid, and that Section 3(c) of the Act, as it existed, may be reinstated, the Board continue to impose the following condition on Hollywood Casino Aurora, as the licensee:**

1. **Hollywood Casino Aurora shall at all times maintain a viable contingency plan to permit riverboat cruising, if necessary.**

Member Rogal further moved that **based on the staff's investigation and recommendation, the Board certify and approve the following entities, positions and persons as Key Persons of the licensee:**

1. **Penn National Gaming, Inc.;**
2. **Hollywood Casino Corporation, Inc.;**
3. **President of Hollywood Casino - Aurora;**
4. **Directors of Hollywood Casino – Aurora;**
5. **Peter M. Carlino; and**
6. **Kevin G. DeSanctis.**

Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

### Supplier Licensee Items

Konami Gaming, Inc. – License Renewal – Stephen Sanville, Director of Legal Affairs, was present on behalf of Konami to request approval for license renewal.

Based on a review of the staff's investigation and recommendation, Member Peterlin moved that **the Board approve the application of Konami Gaming, Inc. for a Supplier's license for a period of four years expiring February 2007 and is approved to continue providing EGD's pursuant to the requirements set out in the Adopted Rules of the Illinois Gaming Board.**

Further, based on the staff's investigation and recommendation, Member Peterlin moved that **the Board certify and approve the following entities, positions and persons as Key Persons of the licensee:**

1. **Konami Corporation;**
2. **Konami Corporation of America;**
3. **Chief Executive Officer;**
4. **President;**
5. **Kagemasa Kozuki;**
6. **Satoshi Sakamoto; and**
7. **Stephen Sutherland.**

Member Rogal seconded the motion. The Board approved the motion unanimously by voice vote.

### Occupational Licensees

Based on staff's investigation and recommendation, Member Peterlin moved that **the Board approve (74) applications for an Occupational License Level 2 and (148) applications for an Occupational License Level 3.**

Member Peterlin further moved that **the Board direct the Administrator to issue Notices of Denial to the following three applicants for Level 2 & 3 licenses, each of whom previously received notice that staff intended to recommend denial and either did not respond or provide additional information to rebut that recommendation:**

1. **Kevin Kirtley;**
2. **George Baum; and**
3. **Darrell Burkhart.**

Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.



At 3:05, Member Rogal moved to adjourn. Member Clark seconded the motion. The Board approved the motion unanimously by voice vote.

Respectfully submitted,  
Monica Thomas

Secretary to the Board